

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

July 27, 2023

## Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

Company name: DKS Co. Ltd.  
 Listing: Tokyo Stock Exchange  
 Security code: 4461  
 URL: <https://www.dks-web.co.jp>  
 Representative: YAMAJI Naoki, President COO  
 Inquiries: SHIMIZU Shinji, Director  
 TEL: +81-75-323-5955  
 Scheduled date to file quarterly securities report: August 8, 2023  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: No  
 (Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2023	13,884	(10.1)	(572)	–	(557)	–	(477)	–
June 30, 2022	15,441	7.1	291	(73.4)	377	(58.3)	98	(79.9)

Notes: Comprehensive income For the three months ended June 30, 2023 ¥16 million [(97.2)%]  
 For the three months ended June 30, 2022 ¥595 million [(18.5)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	(49.96)	–
June 30, 2022	9.66	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2023	90,029	37,838	37.6	3,544.83
March 31, 2023	85,025	38,296	40.4	3,593.49

Reference: Equity  
 As of June 30, 2023 ¥33,880 million  
 As of March 31, 2023 ¥34,346 million

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	40.00	–	40.00	80.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		20.00	–	30.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: None

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	30,000	(8.4)	400	(44.2)	300	(65.6)	100	–	10.46
Full year	68,000	4.5	2,500	110.8	2,300	91.7	1,200	–	125.55

Note: Revisions to the earnings forecasts most recently announced: None

### \* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies

Excluded: – companies

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to reasons other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	10,684,321 shares
As of March 31, 2023	10,684,321 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2023	1,126,550 shares
As of March 31, 2023	1,126,227 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	9,557,771 shares
Three months ended June 30, 2022	10,183,970 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

(Notice concerning forward-looking statements)

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Consequently, no statements herein constitute assurances regarding actual results by the Company. Results may differ materially from the consolidated forecasts due to various factors.

**Attached Material****Index**

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position .....	4
(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information.....	4
2. Quarterly Consolidated Financial Statements and Notes.....	5
(1) Quarterly Consolidated Balance Sheet .....	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income .....	7
Quarterly consolidated statement of income (cumulative).....	7
Quarterly consolidated statement of comprehensive income (cumulative).....	8
(3) Notes to Quarterly Consolidated Financial Statements .....	9
(Notes on premise of going concern) .....	9
(Notes when there are significant changes in amounts of equity) .....	9
(Segment information, etc.).....	9
(Notes on revenue recognition) .....	9

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the three months ended June 30, 2023, the Japanese economy showed a trend of gentle recovery as restrictions to combat COVID-19 were gradually relaxed. On the other hand, the economic outlook remains uncertain due to concerns about the impact of the sharp depreciation of the yen and soaring resource and energy prices on consumption, as well as other factors such as overseas economic and price trends and future developments in the situation in Ukraine.

Under these circumstances, we revised our medium-term management plan, “FELIZ 115,” which we have been implementing since April 2020, to reflect the external environment surrounding the Company and market conditions in our focus areas, adjusting the targets to align with the actual situation on June 12, 2023. First, we will put our collective strength into improving profitability by steadily promoting price pass-on. We will also accelerate product development, increase production of competitive products, and improve our declining plant operating rates. In the Life Sciences business, we aim to quickly return to profitability by expanding our business through sales promotions of newly registered functional food products and Life Science materials, as well as OEM tasks and other opportunities.

Concerning the results for the three months ended June 30, 2023, net sales were ¥13,884 million (down 10.1% year on year), due to a significant decline in sales of flame retardants for overseas markets in the Functional Materials segment.

As for profit and loss, there was an operating loss of ¥572 million (operating income of ¥291 million in the same period of the previous fiscal year), was an ordinary loss of ¥557 million (ordinary income of ¥377 million in the same period of the previous fiscal year), and a loss attributable to owners of parent was ¥477 million (profit attributable to owners of parent of ¥98 million in the same period of the previous fiscal year) due to soaring raw material prices and a significant drop in sales in the Functional Materials and Electronic Device Materials segments.

Results by segment are as follows.

#### Surfactants

Net sales in the Surfactants segment were generally weak.

In Japan, sales were sluggish in IT and electronics applications, and rubber and plastic applications, but remained firm in paint and coloring agent applications. Sales for soap and detergent applications fell significantly.

Overseas, sales for rubber and plastic applications and paint and coloring agent applications were firm.

As a result, net sales in this segment were ¥4,287 million (down 6.1% year on year).

Operating income was ¥229 million (down 41.1% year on year) due to the impact of soaring raw materials prices on top of a drop in sales.

#### Amenity Materials

Net sales in the Amenity Materials segment were generally firm.

In Japan, sales of cellulose polymers were sluggish in energy and environmental applications. Sales of sucrose fatty acid esters remained firm for food applications, and sales of vinyl polymers were also firm for rubber and plastic applications.

Overseas, sales of sucrose fatty acid esters were sluggish in food applications, while those for personal care (cosmetics) applications were firm.

As a result, net sales in this segment were ¥1,969 million (up 1.3% year on year).

The Company posted an operating loss of ¥25 million for the period (recorded ¥6 million in operating income for the same period of the previous year) due to the impact of soaring raw material prices.

#### Polyurethane Materials

Net sales in the Polyurethane Materials segment generally increased significantly.

Sales of environmentally friendly synthetic lubricants related to CFC regulations were strong, and sales of civil engineering chemicals related to public works grew significantly.

As a result, net sales in this segment were ¥2,151 million (up 21.8% year on year).

The Company posted an operating loss of ¥152 million for the period (recorded a ¥126 million operating loss for the same period of the previous year) due to the impact of soaring raw materials prices.

#### Functional Materials

Net sales in the Functional Materials segment fell significantly overall.

In Japan, sales of waterborne polyurethane for textile applications were sluggish, as were sales of radcure resin materials for IT and electronics applications.

Overseas, sales of radcure resin materials for IT and electronics applications were weak, and sales of flame retardants for rubber and plastic applications fell significantly.

As a result, net sales in this segment were ¥3,961 million (down 27.8% year on year).

Operating loss was ¥333 million (operating income of ¥144 million in the same period of the previous fiscal year) due to the impact of soaring raw material prices on top of a significant drop in sales.

#### Electronic Device Materials

Net sales in the Electronic Device Materials segment fell significantly overall.

Sales of ionic liquids for display applications and conductive pastes for solar cell applications were sluggish.

As a result, net sales in this segment were ¥1,423 million (down 8.2% year on year).

Due to the significant drop in net sales, operating loss was ¥36 million (operating income of ¥107 million in the same period of the previous fiscal year).

#### Life Sciences

Net sales in the Life Sciences segment decreased by ¥34 million (27.8%) year on year to ¥89 million.

The OEM business for pharmaceutical additives and health foods made through the concentration and pulverization of extracts from natural materials was sluggish.

As for operating income, net sales fell significantly, and there was an operating loss of ¥253 million (operating loss of ¥230 million in the same period of the previous fiscal year) due to an increase in operating expenses, primarily driven by R&D expenditures.

In the fiscal year ending March 31, 2025, we aim to make our Life Sciences business profitable through (1) B-to-C, focusing on “Kainou Tochukasou (original Japanese name),” for which the notification for food with functional claims in the cognitive function field was completed in February 2023, (2) B-to-B, targeting sales of materials such as I. Japonica-Bombyx Fungus powder

and sudachi fruit peel extract, and (3) expanding the OEM business of IKEDA YAKUSOU CO., LTD., our group company.

## **(2) Explanation of Financial Position**

### (Assets)

Current assets as of June 30, 2023 were ¥49,534 million, up ¥4,122 million from the end of the previous fiscal year. This was primarily due to an increase of ¥5,817 million in cash and deposits, despite a decrease of ¥1,075 million in notes and accounts receivable - trade. Non-current assets totaled ¥40,495 million, up ¥880 million from the end of the previous fiscal year. This was primarily due to an increase of ¥485 million in investment securities and an increase of ¥354 million in total property, plant and equipment.

As a result, total assets amounted to ¥90,029 million, up ¥5,003 million from the end of the previous fiscal year.

### (Liabilities)

Current liabilities as of June 30, 2023 were ¥19,887 million, down ¥752 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥1,819 million in notes and accounts payable – trade despite an increase of ¥1,116 million in other (current liabilities) such as accounts payable - facilities. Non-current liabilities totaled ¥32,304 million, up ¥6,215 million from the end of the previous fiscal year. This was primarily due to an increase of ¥6,308 million in long-term borrowings.

As a result, total liabilities at the end of the period under review were ¥52,191 million, up ¥5,462 million from the end of the previous fiscal year.

### (Net assets)

Total net assets as of June 30, 2023 were ¥37,838 million, down ¥458 million from the end of the previous fiscal year. This was primarily due to a decrease in retained earnings of ¥859 million, resulting from loss attributable to owners of parent of ¥477 million and dividend of surplus of ¥382 million, despite an increase in valuation difference on available-for-sale securities of ¥332 million.

As a result, the equity ratio came to 37.6% (40.4% as of the end of the previous fiscal year).

## **(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information**

Consolidated financial results forecast has not changed from the forecast for the full year announced as of May 15, 2023.

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Consequently, the actual results for the Company may significantly differ due to various factors.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	9,128	14,946
Notes and accounts receivable - trade	15,105	14,029
Electronically recorded monetary claims - operating	2,218	2,297
Merchandise and finished goods	13,131	12,480
Work in process	16	17
Raw materials and supplies	3,489	3,321
Prepaid expenses	369	482
Other	1,956	1,962
Allowance for doubtful accounts	(3)	(3)
Total current assets	45,411	49,534
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,834	12,642
Machinery, equipment and vehicles, net	4,650	4,474
Tools, furniture and fixtures, net	800	882
Land	9,748	9,783
Leased assets, net	2,338	2,273
Construction in progress	2,369	3,040
Total property, plant and equipment	32,743	33,097
Intangible assets	341	343
Investments and other assets		
Investment securities	4,274	4,759
Long-term loans receivable	14	14
Long-term prepaid expenses	512	459
Deferred tax assets	299	358
Retirement benefit asset	1,063	1,091
Other	371	376
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	6,529	7,053
Total non-current assets	39,614	40,495
Total assets	85,025	90,029



(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,972	8,152
Electronically recorded obligations - operating	379	390
Short-term borrowings	6,516	6,766
Lease liabilities	474	477
Accrued expenses	308	292
Income taxes payable	232	200
Accrued business office taxes	41	10
Provision for bonuses	712	476
Other	2,002	3,118
Total current liabilities	20,639	19,887
Non-current liabilities		
Corporate bonds	6,000	6,000
Long-term borrowings	17,348	23,657
Lease liabilities	2,131	2,049
Deferred tax liabilities	196	178
Retirement benefit liability	79	81
Asset retirement obligations	74	74
Other	259	264
Total non-current liabilities	26,089	32,304
Total liabilities	46,729	52,191
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,895	8,895
Capital surplus	7,276	7,271
Retained earnings	19,250	18,390
Treasury shares	(2,488)	(2,488)
Total shareholders' equity	32,933	32,068
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	467	799
Foreign currency translation adjustment	765	839
Remeasurements of defined benefit plans	180	172
Total accumulated other comprehensive income	1,413	1,812
Non-controlling interests	3,949	3,957
Total net assets	38,296	37,838
<b>Total liabilities and net assets</b>	<b>85,025</b>	<b>90,029</b>

**(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income****Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	15,441	13,884
Cost of sales	12,187	11,583
Gross profit	3,253	2,300
Selling, general and administrative expenses	2,961	2,872
Operating income (loss)	291	(572)
Non-operating income		
Interest income	2	1
Dividend income	7	8
Share of profit of entities accounted for using equity method	17	-
Rental income	8	8
Foreign exchange gains	109	72
Other	39	21
Total non-operating income	184	113
Non-operating expenses		
Interest expenses	45	53
Corporate bond interest	9	9
Share of loss of entities accounted for using equity method	-	1
Other	44	34
Total non-operating expenses	99	99
Ordinary income (loss)	377	(557)
Extraordinary losses		
Loss on disposal of non-current assets	35	19
Total extraordinary losses	35	19
Profit (loss) before income taxes	341	(577)
Income taxes - current	119	63
Income taxes - deferred	2	(218)
Total income taxes	122	(155)
Profit (loss)	219	(422)
Profit attributable to non-controlling interests	120	55
Profit (loss) attributable to owners of parent	98	(477)

**Quarterly consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit (loss)	219	(422)
Other comprehensive income		
Valuation difference on available-for-sale securities	93	332
Foreign currency translation adjustment	266	106
Remeasurements of defined benefit plans net of tax	(13)	(8)
Share of other comprehensive income of entities accounted for using equity method	29	8
Total other comprehensive income	376	438
Comprehensive income	595	16
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	378	(78)
Comprehensive income attributable to non- controlling interests	217	95

**(3) Notes to Quarterly Consolidated Financial Statements**  
**(Notes on premise of going concern)**

Not applicable.

**(Notes when there are significant changes in amounts of equity)**

Not applicable.

**(Segment information, etc.)**

Segment information

I First three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

Disclosure of sales and profit (loss) for each reportable segment and information on breakdown of revenues

(Millions of yen)

	Surfactants	Amenity Materials	Polyurethane Materials	Functional Materials	Electronic Device Materials	Life Sciences	Total
Net sales							
Revenue from contracts with customers	4,567	1,945	1,766	5,487	1,550	123	15,441
Revenues from external customers	4,567	1,945	1,766	5,487	1,550	123	15,441
Transactions with other segments	–	–	–	–	–	–	–
Total	4,567	1,945	1,766	5,487	1,550	123	15,441
Segment profit (loss) operating income (loss)	389	6	(126)	144	107	(230)	291

Note: Total amount of profit or loss in reportable segments and operating income in the quarterly consolidated statement of income coincide.

II First three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Disclosure of sales and profit (loss) for each reportable segment and information on breakdown of revenues

(Millions of yen)

	Surfactants	Amenity Materials	Polyurethane Materials	Functional Materials	Electronic Device Materials	Life Sciences	Total
Net sales							
Revenue from contracts with customers	4,287	1,969	2,151	3,961	1,423	89	13,884
Revenues from external customers	4,287	1,969	2,151	3,961	1,423	89	13,884
Transactions with other segments	–	–	–	–	–	–	–
Total	4,287	1,969	2,151	3,961	1,423	89	13,884
Segment profit (loss) operating income (loss)	229	(25)	(152)	(333)	(36)	(253)	(572)

Note: Total amount of profit or loss in reportable segments and operating loss in the quarterly consolidated statement of income coincide.

**(Notes on revenue recognition)**

Information on revenue from contracts with customers is as stated in Notes (Segment information, etc.).